RAILWAY CREDIT AND THE INTERSTATE COMMERCE COMMISSION

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I HOLD no brief for the Interstate Commerce Commission; but as they stand here charged with the responsibility for the collapse of railway credit, some presentation should be made of their side of the case.

As stated by Commissioner Clark in his testimony before the Esch Committee on July 15, 1919, the facts are briefly as follows: Prior to August 28, 1906, the Interstate Commerce Commission had no authority to fix railway rates. In the years from 1900 to 1906 the dividend payments to railway companies varied from $140,000,000 in 1900 to $272,000,000 in 1906. Since 1906, with the Commission in control of rates, railway dividends have largely increased. They were $390,000,000 in 1907 and $460,000,000 in 1911. The total payments to railway stock and bond holders, which were $460,000,000 in 1902, were $870,000,000 in 1911 and $892,000,000 in 1914. The percentage of railway stock which pays dividends has increased under the Commission's control. In the five years prior to 1905 the percentage of outstanding railway stock paying dividends varied from 46% in 1900 to 57% in 1904. Since 1907 the percentage of railway stock paying dividends has in no year fallen below 60% and reached 67.65% in 1911. Not only this, but the average rate of dividends has increased. In the four years prior to 1904 the average dividend was less than 6%. In no year since 1906 has the average dividend rate been less than 6¼%, and in four of those years the rate was above 7% and in two years above 8%.

Thus, the railway security holders as a whole have fared better in the years since the teeth were put into the Interstate Commerce law than in the years preceding. This is true notwithstanding the many million dollars which holders of railway securities have lost during these latter years through the financial misdeeds in connection with the railway systems of New England, the St. Louis & San Francisco, the Pere Marquette, the Cincinnati, Hamilton & Dayton, and various other companies.

It needs only a reference to these well remembered scandals to make it clear that there are other reasons why investors hesitate to buy railway securities than fear of what the Interstate Commerce Commission may do.

And having said this much in defense of the Commission and in opposition to the campaign of publicity which attempts to make it responsible for the collapse of railway credit, let me say with equal frankness that in my opinion the time is past when Congress can merely toss over to the Commission the responsibility for Government regulation of the railways. The Commission is organized as a judicial body, to enforce legislation. There must be in the Government an efficient executive organization to deal with the railways if our work of railway regulation is not to break down; and it must not break down, if we are to escape outright Government ownership and operation.